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INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE  
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RUCPDO/DEPT OF COMMERCE WASHDC

C O N F I D E N T I A L SECTION 01 OF 02 BISHKEK 000875

SIPDIS

DEPT FOR SCA/CEN, EEB/IFD/OIA (GOETHERT/BUTLER)  
DEPT PASS TO OPIC  
COMMERCE FOR ITA (STARKS)

E.O. 12958: DECL: 08/26/2018  
TAGS: [EINV](#) [KIDE](#) [OPIC](#) [PGOV](#) [KG](#)  
SUBJECT: WILL TALKS BREAK THE BISHKEK HYATT IMPASSE?

REF: A. BISHKEK 760  
[B](#). BISHKEK 766  
[C](#). BISHKEK 836

Classified By: Charge d'Affaires Lee Litzenberger, Reason 1.4 (b) and (d).

[1](#). (C) Summary: Following the late July destruction by Bishkek municipal employees of the security fence guarding the Hyatt Regency's front perimeter, Bishkek Mayor Tuleyev has focused his attention on squeezing higher land rent from the Hyatt before agreeing to a resolution of the fence dispute. Kyrgyz government officials have attempted to paint the issue as an "economic" issue with President Bakiyev claiming to only be aware of the issue through news reports, and have sought to diminish damage to the investment climate. No progress has been made in discussions over the past month, but an August 29 meeting scheduled between the Hyatt regional manager and Tuleyev may signal a turning point towards resolution or other unspecified steps. End summary.

#### Mayor Plays His Hand

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[2](#). (C) As discussed reftels, Bishkek municipal authorities, acting at the behest of Bishkek Mayor Nariman Tuleyev, dismantled the security fence guarding the front perimeter of the Bishkek Hyatt Regency July 24-25. In the following days, city administration officials organized flower-laying processions at the ballerina statue on the Hyatt grounds. According to the mayor's office, liberating the ballerina statue responded to public demands, even though the Hyatt had never restricted pedestrian access to the statue. These actions coincided with Tuleyev's public call for the Hyatt to pay substantially more rent for the two hectares of land occupied by the Hyatt property.

#### Government Officials Avoid Public Role

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[3](#). (C) The Embassy protested Tuleyev's actions, which included severing municipal water supplies to the Hyatt, to Kyrgyz government officials, who privately expressed displeasure with Tuleyev's actions, but sought to minimize their impact. President Bakiyev's Foreign Policy Advisor Islan Ryskulov told the Charge July 25 that the mayor's actions did not reflect "administration policy" towards foreign investment, and viewed the issue as an "economic dispute" that he hoped would not become a "political" issue. The Foreign Ministry relayed to the Embassy the mayor's explanation that the actions were needed to ensure free access to the ballerina statue.

[4](#). (C) In a July 29 meeting arranged by President Bakiyev's

Chief of Staff Medet Sadyrkulov, the Hyatt General Manager presented an offer to pay for the cost of moving the ballerina statue to another location and restoring the fence.

The mayor countered by saying all the problems could be resolved if the Hyatt agreed to pay more for the land lease. (Note: As part of the deal to attract Hyatt's initial investment, Hyatt was granted long-term leases to land at a concessional rate, approximately \$2600 per year. The mayor at various times has proposed raising the rent to between \$200,000 and \$600,000 annually. End note.) The Charge pointed out that the fence and land lease issues were unrelated, and the destruction of the fence was damaging to the investment climate, to the security of guests staying at the Hyatt, and to the largest U.S. investment in the country.

15. (C) In an August 5 meeting with a visiting congressional delegation headed by Senator Harry Reid of Nevada (reftel C), President Bakiyev claimed to have only heard about the Hyatt issue through news accounts, but also expressed hope that a resolution could be reached soon.

#### Mayor Changes His Mind (Again)

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16. (C) The mayor subsequently claimed that he put forward the Hyatt proposal to move the ballerina statue, but the Ministry of Culture rejected the request. According to the Hyatt general manager, the mayor then proposed the return of the one plot of land with the ballerina to the city and a "reasonable" rent increase for the remaining land -- a proposal which the Hyatt forwarded back for consideration by

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headquarters. However, the next morning Tuleyev showed up at the hotel unannounced, declared the previous evening's proposal invalid and stated that virtually all the land should revert to the city and much higher rent be paid for the remaining land. (Comment: While the mayor is relying on the Ministry of Culture's opposition to moving the ballerina statue, Ministry objections to the mayor's plans to build a road through a city park have not stopped preparatory work for the road. End comment.)

#### Hyatt Seeks Higher Audience

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17. (SBU) The Hyatt's regional manager is flying to Bishkek for an August 29 evening meeting with Mayor Tuleyev. While the local Hyatt general manager hoped that Tuleyev's shifting position was a negotiating tactic, he reasoned that if this were not the case the Hyatt might have to pursue alternate avenues for resolution. The Charge is scheduled to meet the regional manager prior to the mayor's meeting, and the general manager promised to brief the Embassy on the results of the meeting with the mayor. Embassy will report further developments septel.  
LITZENBERGER